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ABSTRACT

A report on creative approaches to educational funding for the Florida University System is presented by the Study Commission on Funding for Excellence. The focus is public finance, management efficiency, and private funding and marketing. Recommendations are offered on: faculty and support staff salaries, public-private partnership, matching endowment programs, public-private facilities efforts, voluntary support, joint-use facilities, cooperative education programs, student fees, academic and administrative effectiveness, cost-effective funding incentives, training and personnel development, university development, and marketing. Appended are data on: total general revenue funds and operating appropriations for the State University System, 1970-1984; enrollments; general revenue appropriations for specific state departments; the percentage of faculty by rank for specific campuses; and number of Eminent Scholars Grants by campus. An approach to simplifying the process of establishing an upper quartile salary goal for faculty is described. Information is also provided on the program review process and on a proposal to improve management effectiveness of the state institutions. (SW)

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A Path to Excellence

in Public Higher Education in Florida

HE 019 285

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Preface

IN THE summer of 1984, the Board of Regents, under the leadership of Robin Gibson, created a Study Commission on Funding for Excellence. The Board took this action because its members believe the state will face unusual opportunities during the remaining years of the twentieth century—opportunities that could make Florida's public university system one of national distinction.

The Regents asked the Commission to examine new, creative approaches to educational funding that will allow the University System to take advantage of this "window of opportunity" to help advance the state economically and improve the quality of life for all of its citizens.

The Regents outlined three specific areas to be addressed by the Commission in its report. The Commission subsequently appointed committees, composed of leaders from the private sector and from the System, to study the three areas and to report their findings and recommendations to the Commission in November. The committees were established at an organizational meeting on August 17, 1984.

The Committee on Public Finance was charged to establish goals for funding excellence in the universities, and, in light of Florida's tax structure, to estimate levels of public funding that the universities can reasonably expect to receive toward financing these goals; to determine the amount of additional funds required to raise the state universities in Florida to a position of national distinction; to develop recommendations for using public dollars as seed money to attract incentive funding from government and private sources, including foundations, and to identify other potential sources of public funding.

The Committee on Management Efficiency was charged to develop strategies for improving the ability of the universities to manage their resources effectively and efficiently and to examine and make recommendations for improving the fiscal policies and procedures being used in the System. With such improvements the productivity of the universities in accomplishing administrative tasks could be increased, and faculty members could be relieved of burdensome regulations that inhibit bona fide teaching and research activities.

The Committee on Private Funding and Marketing was charged to develop strategies for raising the level of public awareness of the importance of private giving to state universities; to establish the potential for increasing private gifts to the universities; and to develop promotional strategies that will assist the university foundations in tapping private sources of funding.

The work of these committees has culminated in this report. It represents the combined efforts of a group of Floridians who are experts in their fields and have long and distinguished histories of dedication to the State of Florida and to higher education.

"We, as Floridians, have a stake in the success of our State University System. . . ."

Introduction

The Window of Opportunity

A SUPERIOR university system is basic to the quality of life in our state. It is fundamental to the kind of economic development program in which Florida is engaged—selective business and industry recruitment aimed primarily at science, technology, and finance. State leaders have found that such recruitment depends in large measure upon the existence of strong universities, which not only can provide a variety of educational and research services but also can produce highly trained engineers, scientists, and technicians. In short, the Commission believes that we, as Floridians, have a stake in the success of our State University System—that its potential is our potential, and that its achievements are indeed our achievements.

Floridians have talked a great deal about educational quality over the last several years. Our educational leaders have promised to achieve the upper quartile of educational systems by 1986. And we have made progress: the University System is in the upper quartile in a number of areas already. But we have far to go.

The Commission has made three basic assumptions. First, and perhaps most important, the aspirations of the Legislature for the University System are no different than those of the Board of Regents or of most Floridians. Second, we believe the Legislature has responded to the quest for educational excellence in a variety of ways and in a responsible fashion. Finally, while public revenues must continue to provide the foundation of our University System, we cannot expect this one area of public endeavor to command funding for excellence if others are to be left behind. State funds have provided—and must continue to provide—a good system of higher education, but they will not provide the margin of excellence. That is up to us.

The basic problem, then, is how to finance this margin of excellence. Appropriations, of course, represent the level of commitment, support, and votes of confidence by believers. They tell us where we stand in relation to all of the other meritorious state programs that must be funded. Each time the Legislature passes a budget, it is telling the universities how important they are in the present scheme of things. In this regard—regardless of the particular issue, regardless of the Governor, regardless of the personalities in the Legislature—state appropriations to the University System over the last fifteen years have ranged from 10.5 to 13.4 percent of the total budget (see Appendix A), and prospects are that public funding for the System will not increase much beyond this range in the future.

Florida is experiencing explosive growth. According to the U.S. Bureau of the Census, it will

be the third most populous state by the year 2000. As a result, the Legislature has to meet a great many demands with limited public revenues. Therefore, a substantial increase in appropriations for the University System (or any other entity funded by the state) would have to depend upon a dramatic shift in the attitude of the state's taxpayers.

As in any business venture, the success of our efforts toward educational excellence in the twentieth century will depend in large measure upon our ability to turn opportunity into advantage. We have numerous opportunities to build Florida's University System into one of the finest in the nation. Probably the most obvious of these is to capitalize on the partnership that is forming nationally between business and higher education. For two years in a row, Florida has been identified as having the number one business climate in the country, and a 1983 *Fortune* survey of the nation's top 1,000 companies ranked Florida second as a choice for corporate headquarters.

The spotlight is shifting to the Sunbelt, and so is the innovation, creativity, and excitement that goes with it. Leaders of business and industry are finding that they need the expertise of our universities to develop and use new technologies, to sharpen management skills, and to develop financial strategies. Our universities, in turn, are finding that technology is changing so swiftly that they must keep up with new developments in business and industry to stay informed. The potential for reciprocity in this arena is endless. Corporate support for a system of higher education (encouraged by public funding and imaginative legislation) can be invaluable. The Eminent Scholars Program is a remarkable example of such support. Furthermore, a thriving and diversified economy will provide the tax resources necessary for our progressive and forward-looking State Legislature to continue to sustain our universities.

If corporate and private support is the key to the margin of excellence, then a sophisticated marketing effort is clearly the key to successful fund raising. Because Florida has a relatively short history of private donations to universities, the level of giving is substantially below that of other states with longer traditions. The University System must undertake a program that will identify our state as a frontier, where the entrepreneurial spirit is thriving and new things are happening, in order to "position" the universities to attract large foundation support and national recognition for our achievements and potential. We must advance the proposition that private participation *is* the margin of excellence for a public university system, which in turn benefits the private sector.

The general perception of the citizenry of this state is that funding public education is the responsibility of government. This attitude must change if we are to achieve our aspirations. Just as heavy industry had the capacity to support the great universities in the Northeast and Midwest during the Industrial Age, our area of the nation is developing the capacity to support our university efforts during the Information Age. Building successful programs is not enough; investment in fund raising, marketing, and public relations is essential for survival in today's competitive market.

Finally, all of the public and private funding the University System can garner will mean little if it is not well managed. Again, as in any business venture, corporations and other private investors will be reluctant to invest in the University System unless they trust that those investments will be managed efficiently and effectively. In this respect, the Commission tends to view the universities as victims of the management techniques once taught in their own business schools. However, these techniques are changing; whereas the prevailing strategy once consisted of consolidation and centralization, we now know that simplification and decentralization must be our strategy for today. A university can then become the master of its own destiny, have its own distinctive personality, and solve problems in its own way, rather than be forced to follow standardized, dictated methods that are often costly and inefficient. University presidents are held responsible for the operation of their respective institutions, but they do not have the authority to manage and operate as true chief executives. The problem has been expressed simply by Thomas G. Tancredo, a former Colorado legislator: "States are faced with this choice. They can try to force productivity

improvements through regulation and control, or they can try to encourage efficiency by providing incentives and delegating authority and responsibility to institutional officers and Board members. States that choose to regulate their institutions closely may capture savings in the short term, but they are likely to dampen the initiative, imagination, and motivation of individual managers to make long-term improvements in productivity."*

While stringent external controls may have been necessary to Florida's young, developing University System, the Commission believes that the System has matured and should be allowed the flexibility to manage its resources in the best interest of higher education. We also emphasize, however, that along with flexibility goes accountability—to the Legislature and to the taxpayers, who are investing in the System.

The three chapters of this report reflect the responses to the charges made to the three committees formed by this commission as outlined in the preface. Each chapter contains specific recommendations, which the Commission now submits to the Board of Regents, to the Legislature, and to all Floridians as our contribution toward excellence.

*"State Deregulation and Management Efficiency," *AAHE Bulletin*, June 1984, p. 3.

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"Public funding will continue to be the 'backbone'. . . ."

1 Creating a Foundation for Excellence

HOW MUCH of the General Revenue Fund has been appropriated to the state universities? The answer to that question has been the focal point of continuing discussion in the University System for the last several years. Commission studies show that, over the fifteen-year period from 1970–71 through 1984–85, the universities received from 10.5 to 13.4 percent of the General Revenue Fund each year (see Appendix A). To give a proper perspective to the appropriations, the Commission also examined university enrollment for each of these years. According to latest figures, the universities will be serving over 30,000 more students during the 1984–85 academic year than in 1970–71 (see Appendix B).

Based on this information, the Commission concluded that the proportion of General Revenue appropriations will not increase unless the System receives a "larger piece of the pie" or the pie itself increases. Historically, in the years when the State Treasury has benefited from a vigorous economy, the Legislature has usually favored the universities with an above-average appropriation. The additional funds have usually been directed toward needs other than new positions or salaries so as not to overburden future Legislatures. In that way many much-needed items such as scientific and technical equipment have been purchased, while continuing obligations were kept at manageable levels.

The Commission also examined the major functions of state government and the current distribution of General Revenue funds among the competing departments. In 1970–71, the Department of Education (including the University System) received 72.3 percent of the total General Revenue appropriations (see Appendix C). By 1983–84, however, the distribution of General Revenue appropriations had changed: the Department of Education received only 61.6 percent of the General Revenue Fund, while the Department of Health and Rehabilitative Services (HRS), by contrast, received approximately 20.5 percent in 1983–84, as compared to 15.3 percent in 1970–71 (see Appendix C).

Three departments (Education, HRS, and Corrections) received a combined total of 87 percent of the state General Revenue budget in 1983–84. Adding the appropriations for the Judicial Branch, the Legislature, and the Department of Revenue to this amount, we see that 94 percent of state General Revenue appropriations was devoted to six functions. There is

little possibility of redistributing funds among these functions. Furthermore, there are continuing pressures for increased spending for criminal corrections and human services, as there are for most other activities of state government. Even if 1983–84 funds for all departments other than the six major departments had been devoted to education, only an extra $368 million would have been available to improve funding for *all* of education—*a mere 7 percent increase*!

While the General Revenue Fund has continued to increase as a result of population growth, inflation, and changes in the tax base, the variations in the amount of General Revenue received by the state over the years are not significant enough to conclude that the University System will ever receive much more than its current share—10.5 to 13.4 percent. Although the University System should continue to seek additional funds from the State Treasury for the purposes of improving educational quality, these funds will probably never be enough to provide the margin of difference everyone desires. However, a small increase in the University System's percentage of the General Revenue, combined with a hefty dose of outside funding, could make the critical difference.

The Commission therefore has concluded that

(1) public funding will continue to be the "backbone" for financing the State University System of Florida;

(2) there are fundamental needs that must be met by state appropriations, if the System is to be among the best in the nation;

(3) certain special needs of the System can and should be met from nonrecurring revenue; and

(4) the System should continue to identify and request funds over and above its proportionate share of recurring revenue to meet these special needs.

The Commission has paid particular attention to what it believes is the most basic of these needs—faculty salaries—and to several other needs that can be met within existing state resources.

Recommendation 1: Faculty and Support Staff Salaries

Adequate faculty and staff salaries must be provided regardless of the percentage of General Revenue dollars that the University System has historically received. The Regents should develop a strategy for use of these salary funds that will promote the quality improvement goals of the System. Specifically, the program should be implemented so the ability to attract future faculty members will not be impaired.

Budget analysts estimate that it will cost between $26 million and $30 million to bring Florida's faculty salaries to the upper quartile level—that is, to rank Florida among the top twelve states (see Appendix D). Because adequate faculty salaries are basic to excellent universities, they have been the number one priority in the University System budget request for the past several years.

While the upper quartile salary goal for faculty members deserves public support, it is not the System's only salary goal. The need for increasing the salaries of support personnel has also been dramatically documented by the various universities in recent years.

Recommendation 2: Public-Private Partnership

In order to achieve excellence, the University System should nurture its new-found partnership with the private sector in order to raise the level of endowment and other forms of private support to one of true significance.

The aspirations of the Regents and others to "position" the State University System of Florida among the best systems in the nation is a worthy goal that should be pursued through both public and private funding. There are many opportunities, in many forms, for private sector investment in the System. These investments should be viewed as any other investment that the private sector might make: the value received should equal or exceed the value of the investment.

Recommendation 3: Matching Endowment Programs

The highly successful Eminent Scholars Program should be continued and expanded, and the Legislature and the Regents should work together to provide other programs that will encourage private giving through the use of public resources (see Chapter 3).

The Eminent Scholars Program has proven to be an unqualified success, clearly demonstrating that the right program at the right time can be of tremendous importance in improving and enhancing the University System. The Legislature earmarked public funds for the program, to be matched by private sources. At the time of this report's publication, some seventy-four chairs have been realized or encumbered or are "in process" as a result of a $15 million investment by the Legislature (see Appendix E). The program, which produces roughly a $4 return for each $1 invested by the Legislature, has been so successful that an additional state appropriation will be necessary as soon as the Legislature convenes.

Recommendation 4: Public-Private Facilities Efforts

To meet expanding facility needs, particularly those of the newer universities as they reach their maturity, the Regents should explore new joint ventures with the private sector to finance new facilities.

During the last several years, the University System has entered into several types of cooperative public-private efforts in order to meet facility needs—the Shriners' Hospital at the University of South Florida, a psychiatric hospital at the University of South Florida, and residential halls at the Florida International University and the University of North Florida. To meet other university facility needs, cooperative public-private efforts such as these must continue. Further, the Regents should review their own policies and related statutes to ensure that there are no legal impediments to raising private capital. The Regents should also ensure that a System approach is used; while individual university efforts might be successful, they might not be the best for the System as a whole, without effective coordination.

Recommendation 5: Voluntary Support

The private sector has long been a major contributor to private institutions. As the University System establishes programs to obtain resources from this sector, it should employ a coordinated approach so that funding for private institutions is not adversely affected.

Allan W. Ostar, President of the American Association of State Colleges and Universities, has written:

"Responsible leaders in private higher education generally have taken the position that 'the rising tide lifts all ships.' But others believe that these efforts by public institutions to develop what we call the 'margin of excellence' make it increasingly difficult for the private colleges to compete. They cite the increase in quality of public colleges and the so-called 'tuition gap.' There is an erroneous assumption that there is a fixed amount of voluntary support available and as public colleges become more successful in attracting outside funds, somehow this reduces the funds available for private colleges. The fact, of course, is that corporations and individuals presently are contributing only a small fraction of what the federal tax laws permit them to give on a deductible basis. More activity by all institutions will only increase giving to the entire universe of higher education.

"Public and private colleges need to work together as never before to encourage greater public understanding and support for all sectors of higher education. Efforts to find a basis of cooperation could be seriously damaged by those private college leaders who advocate that tuition in public colleges be increased and that voluntary support for public institutions be restricted."*

*Excerpt from a letter to President Trevor Colbourn of the University of Central Florida from Allan W. Ostar.

Recommendation 6: Joint-Use Facilities

The Board of Regents should assess the Joint-Use Facility Program to determine whether this method of providing space could be expanded to realize greater savings.

Joint use of facilities with other agencies, both public and private, could result in expanding the capacity of the System's physical plant. Meeting facility needs from non-state resources could make existing state resources available for alternative uses, such as maintaining current facilities.

Recommendation 7: Cooperative Education Programs

The universities should make greater use of Cooperative Education Programs.

If the universities had more Cooperative Education Programs, some pressure would be taken off other forms of financial aid so that more dollars could be available for distribution to needy and deserving students. Students participating in Cooperative Education Programs with private businesses or industries would gain the additional benefit of discovering how these organizations work.

Recommendation 8: Student Fees

Student fees should continue to be reviewed and increased, and increases should be consistent with the quality of education we seek to offer through the System. Adequate financial aid programs for students with financial need must be provided.

While the Commission was not specifically charged to consider student fees that are used to support the State University System, it did review this significant source of financial support and concluded that the level of student fees must be consistent with the quality of education we seek to offer through the System. Increases in fees, however, must carry with them the commitment to an adequate financial aid program for those students who will be adversely affected by any increase.

Recommendation 9: Reversion Law

The Board of Regents should seek a change in the Reversion Law that would allow the universities to carry forward any unencumbered funds at the end of a fiscal year. These savings could be used for a variety of purposes, such as deferred maintenance projects, special building needs, and matching private contributions.

In reviewing University System financial procedures, the Commission considered whether several practices used in the private sector might be employed to improve the operation of public agencies such as universities. One barrier to sound fiscal management is the Reversion Law. The Commission concluded that the reversion of unencumbered General Revenue appropriations to the State Treasury at the end of each fiscal year invites inefficient use of scarce resources. To avoid reverting funds, state agencies always find ways to spend these funds—sometimes wasteful and unproductive ways.

The Commission believes that the law should be amended to make it possible for the universities to carry forward any unencumbered funds at the end of a fiscal year period. These funds could then be used productively in the next fiscal year—provided they were not used for new positions or salaries that would incur obligations for continued funding in the future. If this option were available, each university would be forced to examine its use of resources to ensure efficiency and effectiveness.

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"Now is the time for state leaders to explore ways in which the University System can achieve more effective results."

2 Expanding the Public Trust

THE Study Commission encourages the Regents to develop strategies to improve the ability of the universities to manage state resources efficiently and effectively. By *efficiently* we mean "doing things right the first time" and by *effectively* we mean "doing the optimum thing for the desired result." Our bias is toward *effectiveness*—improving the process rather than simply perfecting present procedures. This chapter will present specific recommendations for enhancing the universities' ability to deal with increased requirements and to concentrate on the primary missions of instruction, research, and public service.

The State University System is a huge, complex entity unlike any other state agency. It has an annual operating budget in excess of $1 billion. It has developed from a relatively small educational enterprise of three institutions following World War II to one of the largest in the nation. Indeed, the University of Florida alone is larger and more complex than many statewide systems in other states. In large measure, Florida has reached its current stature in higher education because of the partnership that has developed between the Legislature, the Governor, the State Board of Education, and the Board of Regents in recent years. This "statewide team" continues to be committed to the goal of educational excellence in Florida.

Because the climate is so favorable, the Commission recommends that now is the time for state leaders to explore ways in which the University System can further achieve more effective results from the investment of public funds in higher education. The national trend toward decentralization is aimed at improving the productivity of universities by placing authority and responsibility in the hands of those best able to manage the overall operation of the universities. Florida has, of course, been a leader in this movement. The Legislature has already taken significant steps towards decentralization.

All Commission members—especially those representing the private sector—therefore recommend that state leaders consider delegating to the Board of Regents and the Presidents additional authority to manage the day-to-day operations of the University System and the institutions. Faculty researchers in our own business schools have demonstrated that decentralization for large and complex organizations makes sense.

RECOMMENDATION 10: Academic Effectiveness

Greater effectiveness in the academic mission of the State University System can be achieved by:

(1) continuing to enforce differentiation in the assigned missions of the individual universities in order to reduce program duplication, particularly at professional and doctoral levels;

(2) regulating the initiation of new graduate programs by assessing needs, the availability of resources, and the readiness of an institution to offer such programs (see Appendix F);

(3) preventing the further dilution of System resources by focusing upon the development of existing campuses and programs rather than expanding further the number of branch campuses or educational centers; and

(4) cooperating with the Community College System and secondary schools to eliminate the necessity for remedial education at the universities.

The University System serves several distinct student constituencies, which have specialized educational needs. In broadest terms, these include:

(1) residential undergraduate education for traditional college-age students,

(2) nonresidential undergraduate education for students of all ages who attend on a full- or part-time basis and who are unable to relocate because of work or other personal restrictions,

(3) master's-level graduate and professional education for full- and part-time students, and

(4) advanced graduate and doctoral programs that emphasize basic research.

At least seven state universities indicate, through their current institutional master plans and the agendas of new programs they hope to offer, that they wish to serve all of these constituencies. Justification for program expansion usually centers around convenience to commuters, community pride, and faculty prestige.

From a statewide perspective, however, geographical duplication of high-cost specialized or graduate programs for all of these constituencies is not cost-effective and has a negative impact on standards and educational quality. It would be more cost-effective to increase financial assistance to make it possible for students to go to a campus where particular programs are offered.

The universities have devoted significant resources to improving the academic skills of entering students who are inadequately prepared to meet the academic requirements of a university. The cost of providing these resources reduces funds available for achieving a top-ranked university system. The Community College System has developed a sophisticated remedial program, and the Legislature has enacted educational reforms to strengthen the preparation of high school students planning to enter postsecondary institutions. The Commission supports both of these actions and suggests that the Board of Regents propose to the Legislature further legislation, as needed, to provide incentives for enhancing the college preparatory curriculum in secondary schools.

The benefits of our recommendations are manifold. By directing resources to a limited number of geographical locations, the System

will achieve higher quality programs, especially during periods of constrained revenue. Limiting the programs and constituencies of each institution will help to reduce competition for students. And, relying on the Community College System to provide remedial education will allow the resources of the University System to be concentrated on university-level programs.

RECOMMENDATION 11: Administrative Effectiveness

The Commission recommends that the State University System be granted local agency status.

The Legislature has already begun to decentralize the administration of the System. The authority for managing the construction of facilities, for example, was delegated by the Legislature in 1979. The Board estimates that since then more than $28 million has been saved, primarily because of faster completion of construction projects. Consequently, the System has been able to build more facilities with the money saved, and the Department of General Services (the state construction agency) has reduced its staff by sixteen positions while the Regents and the universities added no new personnel to accomplish the same tasks.

As organizations grow, they tend to become more inflexible and bureaucratic. In the case of state agencies, it is clear that overrestriction and overregulation hamper effective management and make the agencies more expensive to operate. Progressive business organizations combat this tendency by decentralizing their operations and control systems and by delegating responsibility to profit-center managers. Following the example of the private sector, the Commission recommends that the State University System be granted local agency status. The Regents and the universities would remain subject to legislative intent as expressed in the annual appropriation bills, rules of the Board of Regents, audits by the Office of the Auditor General, and the general state laws governing procurement, travel, and construction to which all Florida governmental entities are subject (see Appendix G).

Granting local agency status to the University System would result in greater productivity because of the significant reduction in duplicative activities among various state agencies, more timely and effective support services at each of the universities, and greater effectivenesss in fiscal activities, particularly those relating to transfer of funds during the fiscal year, salary rate controls, and unexpended year-end balances.

RECOMMENDATION 12: Cost-effective Funding Incentives

The Commission recommends that the Legislature adopt the following objectives in funding the various universities:

(1) eliminate the perceived incentive for growth as the sole means for the universities to receive increased funding;

(2) provide an incentive for the institutions to redirect resources from programs that have little or no prospect of growing to programs that are now in great demand;

(3) provide positive financial incentives to the universities to achieve excellence based upon criteria specified by the Board of Regents;

(4) provide an effective budget system that will recognize and reward differences in institutional missions;

(5) in the event that funding remains constant, authorize reduced student enrollment, as needed, to raise and maintain program quality.

Despite substantial efforts by the Governor, Legislature, and the Regents to modify appropriations practices in recent years, the present method of funding the universities is generally based upon student enrollment. This method does not contribute to the goal of excellence in education. If the method of funding were based on the actual cost of serving the various student needs at each university, more dollars would be available to spend on those factors that contribute to excellence. The Legislature, the Governor, and the Regents for several years have explored possible changes in the method of funding the System, and the Commission endorses the development of a cost-effective program-funding method. The program reviews now conducted by the Regents will provide a basis for program evaluation that can be readily adapted to such a budgeting method. The new method should also encourage the universities to develop programs that respond directly to student needs, and the Regents and the Legislature should provide incentives for the institutions to redirect resources away from programs that have little or no prospect of growing to those that are now in great demand. By adopting these policies, each university would have an opportunity to shift its attention away from trying to capture as many students as possible and toward creating superior programs. This funding strategy would solidify the reputation of the System and the institutions for prudent and progressive management.

RECOMMENDATION 13: Training and Personnel Development

The Commission recommends that the Board of Regents develop and implement more effective management training programs for all University System personnel.

Since 75 percent of the System budget is spent on personnel, one of the most effective ways to maximize the use of resources would be to expand programs for training personnel. Such programs help to solve the problems that accompany limited resources by providing more productive employees. Institutions facing the challenges of the 1980s require highly skilled administrators. Increased job satisfaction and morale results in lower attrition and reduced turnover costs, while enhanced opportunities for employee growth and advancement result in more proficient employee performance.

Committee on Private Funding and Marketing

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President (retired)
Florida Atlantic University
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Co-Chairman:
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Fry-Hammond-Barr
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Mr. Harris Mullen
Ybor Square Limited
Tampa

"Marketing the System is marketing the State and its people and its opportunities."

3 Providing the Margin of Excellence

PRIVATE support for higher education in public universities represents the difference between a good university system and a great one. No state has the tax base to meet completely the needs of the public, much less provide the dollars to produce the margin of excellence for instruction, research, and public service at the universities (see Appendix H). Florida is no exception. While the Commission believes that Florida's public universities are stronger than many give them credit for being, they can become even stronger with greater private support. The Legislature directs that the bulk of state tax resources appropriated to the System be used for undergraduate instruction. Private dollars, on the other hand, underwrite such things as:

(1) scholarships, fellowships, and loans for students,
(2) recognition, compensation, and recruitment of eminent faculty members,
(3) specialized library resources,
(4) basic and applied research support,
(5) construction of special facilities,
(6) unusual academic program opportunities for students,
(7) broader minority participation, and
(8) sabbaticals and faculty development.

Since the quality of classroom instruction is in large measure dependent upon the quality of the faculty, the universities should be equipped to attract the best faculty members available. The attributes of an institution that attract quality faculty include the programs and services mentioned above.

Private giving to higher education is not as generous in Florida and the rest of the South as it is in some other parts of the country. In those regions strong private institutions have existed for many years and have maintained close ties with the private sector and with alumni who feel a deep obligation to support their alma maters. In many instances, this example has been followed by neighboring public institutions. This kind of philanthropic tradition, however, has not been a part of Florida's history. None of the state's institutions (public or private) has an endowment that compares well with those of prestigious institutions in other states.

A tradition of giving must be developed in Florida if our educational system is to be competitive. The state's rapid population growth means that many major prospective donors are coming to Florida who have little or no connection with Florida's institutions or traditions. Florida's public universities should develop a marketing plan to demonstrate to these new

citizens (who now outnumber native Floridians) the need for their support. Corporate growth in Florida may also provide opportunities for new donors.

The margin of excellence needed to enhance the quality of public higher education in the state can only be found in the dual support provided by the Legislature and the private sector. It is essential, however, that the Legislature not diminish its support for the universities if increased private support is forthcoming.

RECOMMENDATION 14: University Development

The Commission recommends:

(1) That the universities' advancement, development, and alumni programs be significantly strengthened by allocating additional dollars and positions to support their programs. The Legislature should consider matching the universities' allocation of positions to these programs on a one-for-one basis.

(2) That the Florida Chamber of Commerce and the Florida Council of 100 be requested to develop jointly a program to increase the numbers of companies matching gifts to education in Florida.

(3) That Florida corporations be encouraged to make charitable gifts up to the allowed 10 percent of pretax earnings.

(4) That the Legislature immediately provide additional funding for the Eminent Scholars Trust Fund.

(5) That the Legislature match the McKnight Foundation challenge in order to fully endow the McKnight Programs in Higher Education. Funding for this highly innovative program will not only benefit minorities and economically deprived individuals, but will also provide minority representation in faculty and administrative posts in Florida's colleges and universities, both public and private.

(6) That the universities be encouraged to broaden private sector support beyond charitable giving to include joint ventures and other partnerships with business and industry.

(7) That the Regents encourage the Legislature to reward the universities that are successful in increasing private support.

(8) That the Regents' procedures for selecting and appointing presidents emphasize to a greater degree the private fund raising responsibilities of presidents.

The Commission further believes that programs designed to encourage greater private support of public universities would be a wise investment by the State of Florida. Accordingly, the Commission also recommends:

(9) That the Legislature create a new challenge to increase annual giving, both in terms of numbers of donors and amounts contributed. Such giving should be endowment-related and matching should be on the basis of increased numbers of donors.

(10) That the Legislature establish a matching challenge program on a limited basis for facilities or buildings that may not be funded through state dollars.

The State University System of Florida is the fifth largest in the United States, but private support for the nine SUS institutions does not compare favorably with other state systems of similar size and scope (see Appendix I). Since Florida's population and economy are dynamic and growing, considerable potential exists for each public university to increase the amount of private support it receives. To realize this potential, the public universities must strengthen and expand their advancement activities to make the public aware of the value of higher education to society. Awareness will stimulate interest and participation in all university activities by the public; increased interest will eventually translate into greater private support.

RECOMMENDATION 15: Marketing

The Commission recommends:

(1) That the Legislature fund a major, comprehensive, ongoing marketing program in the Board of Regents Office for the entire University System. In this regard, the State and the System would be well served if professional counsel were obtained to assist with the development of an effective marketing plan.

(a) The marketing program should have as its basic objective the "positioning" of the State University System of Florida as one of the nation's finest.

(b) The marketing plan should emphasize the unique characteristics and attributes of each university, as well as positive aspects of the System.

(c) The marketing campaign must demonstrate the critical and direct link between a superior public higher education system and the type of growth and development being sought by state leaders.

(2) That encouragement, support, and funding be provided to each institution for marketing itself.

(3) That the Regents seek the support of the Legislature and the Governor for funding the marketing function of the System and its nine universities.

The breadth and quality of Florida's public universities are such that a rare opportunity exists to market and "position" the System as the best state university system in the Sunbelt, competitive with the nation's finest. If the System and its constituent universities are to be so recognized, we must have the ability to continue to attract truly outstanding faculty members who can serve the state with distinction. That recognition will provide the justification for increased private support from individuals, corporations, foundations, and other organizations.

It is not only logical but reasonable that the System undertake this effort. Its strength lies not only in the unusual characteristics of each institution but the geography, culture, and economy of Florida as a whole. The time is right for the Regents to market aggressively our public universities and to increase significantly our efforts to gather the private support necessary to ensure the margin of excellence. Marketing the System is marketing the state and its people and its opportunities.

Appendix A

Total General Revenue Fund Receipts and Total General Revenue Operating Appropriations to the State University System, 1970–71 through 1983–84

Fiscal year	General Revenue Fund receipts ($ millions)	State University System General Revenue		
		Appropriations ($ millions)	Percentage increase or (decrease) over prior year	Appropriations as a percentage of General Revenue Fund receipts
1970–71	$1,196.9	$160.1	18.4	13.4
1971–72	1,522.8	162.1	1.2	10.6
1972–73	1,829.3	193.7	19.5	10.6
1973–74	2,086.6	225.9	16.6	10.8
1974–75	2,087.1	267.1	18.2	12.8
1975–76	2,123.5	253.5	(5.1)	11.9
1976–77	2,398.0	272.3	7.4	11.4
1977–78	2,773.4	309.5	13.7	11.2
1978–79	3,249.5	342.0	10.5	10.5
1979–80	3,700.5	403.6	18.0	10.9
1980–81	4,182.6	468.7	16.1	11.2
1981–82	4,362.2	518.3	10.6	11.9
1982–83	4,957.0	549.0	5.9	11.1
1983–84	5,727.8	607.2	10.6	10.6
1984–85	6,313.9	666.2	9.7	10.6

Appendix B

State University System Education and General Enrollment, 1970–71 through 1984–85 Planned Enrollment

Fiscal year	FTE	Increase/(Decrease) Number	Percentage
1970–71	56,287	5,392	10.6
1971–72	60,216	3,929	7.0
1972–73	67,923	7,707	12.8
1973–74	71,748	3,825	5.6
1974–75	75,078	3,330	4.6
1975–76	77,114	2,036	2.7
1976–77	73,567	(3,547)	(4.6)
1977–78	74,880	1,313	1.8
1978–79	74,805	(75)	(0.1)
1979–80	77,093	2,288	3.1
1980–81	80,896	3,803	4.9
1981–82	76,537	(4,359)	(5.4)
1982–83	81,404	4,867	6.4
1983–84	84,314	2,910	3.6
1984–85*	87,192	2,878	3.4

*Planned.

Appendix C

Summary of General Revenue Appropriations for State Operations

	General Revenue appropriations (in millions)	Percent of total	General Revenue appropriations (in millions)	Percent of total
	1970–71		1983–84	
Department of Education	$ 912.2	72.3	$3,528.3	61.6
Department of Health and Rehabilitative Services	193.7	15.3	1,176.2	20.5
Department of Corrections	23.0	1.8	279.6	4.9
Judicial Branch	14.7	1.2	195.8	3.4
Legislative Branch	14.8	1.2	59.9	1.1
Department of Revenue	5.8	.5	122.9	2.1
All other	98.2	7.7	368.0	6.4
Total	$1,262.4	100.0	$5,730.7	100.0

Appendix D

Upper Quartile Salary Goal and Calculation of the Average Salary Necessary to Meet the Upper Quartile Goal

THE State Board of Education and the Board of Regents have adopted a goal to make faculty salaries in the State University System of Florida competitive with the salaries at the top twelve state systems in the country. For the purpose of establishing the salary levels to meet this goal, AAUP data have been used.

In justifications accompanying its 1983–85 Budget Recommendations, the Board adjusted the basic AAUP data to recognize (1) the discipline mix of the nine institutions, (2) whether and to what extent doctoral programs are offered, and (3) the number and deployment of faculty lines funded by Quality Improvement appropriations. In using this methodology, several problems emerged, the foremost being the forced mixing of basically incompatible data bases (AAUP data with Oklahoma State University data, for example).

The purpose of this appendix is to outline an approach that will simplify the process by which the upper quartile salary goal is established. A simpler method appears to be the establishment of a System average salary competitive with the salaries in the "upper quartile" states. Under this method, the distribution among the universities would not have to be determined at the time the appropriation was being justified but could be considered later.

The following table demonstrates a procedure for calculating an average salary for the SUS that would be competitive with the average salary for the twelfth state in the upper quartile.

The first issue to be resolved in this approach is the classification of institutions. SUS universities, for AAUP salary purposes, are classified as *Types* I and IIA. However, those classified as IIA do not necessarily fit the IIA definition, if considered on a program basis. Many of these universities have doctoral programs or are developing doctoral programs. To overcome the definitional problem, the following procedure can be used.

First, we assume that we wish our salaries to be competitive by rank, and therefore compute the average salary goal from salary data by rank. Further, we assume that the Type I data should be used in this calculation, since 60 percent of our Education and General faculty members are employed within the AAUP Type I classification.

Given the above two assumptions, the University of Florida, Florida State University, and the University of South Florida faculties will serve as the basis for computing an average SUS salary goal. Once the average salary rate for these three universities has been estab-

lished, we then determine the relationship that should exist between the salaries at these and the other six universities. Based on distribution of programs, it appears that they should be at approximately 90 percent of the salaries at UF, FSU, and USF. Using this percentage, we then calculate a salary rate for the six other universities. Combining these two rates, we can now calculate the average for the SUS E & G Budget. The following tables exhibit the results of this methodology.

Appendix D—Table 1

1982–83 Faculty (Education and General Budgets)

	UF	FSU	FAMU	USF	FAU	UWF	UCF	FIU	UNF	SUS
Faculty rank	*Percentage of faculty by rank*									
Professor	43.5	42.3	17.3	40.3	42.0	25.8	22.6	20.7	23.6	35.5
Associate professor	36.4	33.7	31.8	38.0	31.0	48.4	34.3	41.0	39.2	36.2
Assistant professor	17.9	22.5	39.6	18.5	24.1	21.5	33.8	32.1	35.8	24.3
Instructor	02.2	01.5	11.3	03.2	02.9	04.3	09.3	06.2	01.4	04.0
Faculty rank	*1982–83 manyears distributed by rank*									
Professor	532.12	398.94	48.47	360.41	136.84	57.35	110.76	101.35	44.23	1,790.47
Associate professor	445.27	317.83	89.09	339.84	101.00	107.59	168.11	200.75	73.48	1,842.96
Assistant professor	218.97	212.20	110.95	165.45	78.52	47.80	165.66	157.17	67.10	1,223.82
Instructor	26.91	14.15	31.66	28.61	9.44	9.56	45.58	30.36	2.63	198.90
Total manyears	1,223.27	943.12	280.17	894.31	325.80	222.30	490.11	489.63	187.44	5,056.15
1982–83 average manyear rate	40,248	39,892	33,841	36,760	37,955	35,520	34,913	34,846	34,504	37,632
Average manyear rate as a % of SUS average	.10695	.10601	.8993	.9768	1.0086	.9439	.9277	.9260	.9169	

SOURCE: 1982 Fall APF.

Appendix D—Table 2

State University System Upper Quartile Faculty Salary Goal (1982–83 Estimated Cost)

	1982–83 FTE manyears	AAUP 12th State average salary (manyear)	Total manyear rate	All Ranks manyear average
1. 1982–83 manyears for UF, FSU, and USF distributed by rank				
Professor	1291.47	$52,532	$ 67,843,502	
Associate professor	1102.94	38,799	42,792,969	
Assistant professor	596.62	31,599	18,852,595	
Instructor	69.67	24,666	1,718,480	
Total (UF, FSU, & USF)	3060.70		$131,207,546	$42,868
2. Other universities ($42,868 × 90.0%)				$38,581
3. Salary rate, other universities (1,995.45 manyears × $38,581)			$ 76,986,856	
4. Salary rate goal for all universities			$208,194,402	$41,176
5. Authorized 1982–83 faculty rate—E & G budgets			$190,272,152	$37,632
6. Percent increase required to reach upper quartile goal			9.4%	
7. 1982–83 authorized faculty rate				
E & G			$190,265,652	
IFAS			23,856,615	
Health Center			22,136,170	
Medical Center			10,600,116	
Total			$246,858,553	
			× .094	
			23,204,704	
Increase since 1982–83 in rate and benefits less lapse			× 1.18 × .98	
Total estimated cost to reach upper quartile			$ 26,833.912	

Appendix E

Summary of Eminent Scholars Grants (as of October 9, 1984)

	Numbers of grants									
	SUS	UF	FSU	FAMU	USF	UCF	FAU	UWF	FIU	UNF
Grants matched	27	14	2	0	2	2	6	1	0	0
Grants pledged and encumbered	26	6	5	2	9	1	1	0	0	2
Grants in process (not encumbered)	21	9	2	1	3	2	0	1	3	0
Total anticipated	74	29	9	3	14	5	7	2	3	2

	Status of Trust Fund	
	Chairs	Funds
Appropriations		$15,000,000
Interest earnings (net 06/30/84)		7,549,678
		22,549,678
Distribution to universities	27	10,800,000
Distribution to New College		2,000,000
Distribution for Virgil Hawkins Scholarship		100,000
Grants pledged and encumbered	26	10,400,000
Unencumbered balance		(849,678)
Plus estimated interest earnings, 1984–85		1,000,000
Chairs fundable from balance	0.6	249,678
Less grants in process (not encumbered)	21	(8,400,000)
Chairs excess of available funds	(20.4)	$(8,150,322)

Appendix F

Summary of the Program Review Process

THE Board of Regents has been conducting systematic program reviews since 1975. The purpose of the program reviews is to evaluate academic disciplines throughout the SUS institutions. Under the aegis of the Academic Program Office, reviews are undertaken to ascertain the quality of programs, the quality of program management, and the role of the programs within the university and the community at large. The review process recognizes that each member of the State University System has a unique mission and poses questions in the context of the institution's mission. Attention is also given to the reports of regional and professional accreditation organizations, whose findings are considered within the context of the systematic review process. By using self-study reports and recommendations of outside consultants who visit each campus, the Regents and universities make decisions on development, changes, and expansion of academic disciplines within the State University System.

A five-year cycle of program reviews was adopted by the Board of Regents as follows:

Year One (1983–84)

(1) Visual and Performing Arts
(2) Business and Management
(3) Home Economics
(4) Library and Archival Sciences
(5) Philosophy and Religion

Year Two (1984–85)

(1) Education
(2) Mathematics
(3) Physical sciences
(4) Parks and Recreation Management
(5) Law

Year Three (1985–86)

(1) Health Sciences
(2) Letters
(3) Agriculture and Agribusiness
(4) Renewable and Natural Resources
(5) Foreign Languages and Area/Ethnic Studies

Year Four (1986–87)

(1) Life Sciences
(2) Psychology
(3) Social Sciences
(4) Communications and Communications Technology
(5) Computer and Information Science

Year Five (1987–88)

(1) Public Affairs and Protective Services
(2) Architecture and Environmental Design
(3) Engineering and Engineering-Related Technologies
(4) Allied Health
(5) Liberal/General Studies and Multi/Inter-institutional Studies

The final product of the program reviews is a consultants' report. An analysis and synopsis of program recommendations based on the consultants' report is presented to the Regents, who, in turn, may adopt all or some of the consultants' recommendations. Adopted recommendations have included the initiation of new programs, termination of programs, significant changes in existing programs, targeting of funding to areas where development is needed, contracting in the private sector, and cooperation within the public sector.

Appendix G

A Proposal to Improve Management Effectiveness in the State University System of Florida

THE State University system is a complex educational enterprise that reaches throughout the State of Florida and into foreign countries in support of its teaching, research, and service missions. The nine state universities with their branch campuses, medical schools and the Institute of Food and Agricultural Sciences, constitute a statewide educational network funded from general revenue at a level exceeding $600 million in 1984. The total budget for the State University System (combining state and nonstate sources) is in excess of $1 billion annually and supports 20,000 employees dedicated to delivering higher education to over 130,000 students. Because of the size and complexity of the System, the Board of Regents and the university presidents continually emphasize the need to streamline administrative procedures in order to realize the greatest effectiveness in State University System operations.

During recent years the Governor and the Legislature have cooperated with the Board of Regents in granting to the university presidents greater authority for the effective management of their institutions. Authority has been delegated in areas such as construction, purchasing, and other business functions. The resulting improvement in our overall effectiveness leads the State University System to request the delegation of additional authority for the overall management of the System to the governing Board of Regents and the university presidents.

The State of Florida is not alone in the movement to provide greater autonomy and increased management flexibility to its universities and governing board. The Southern Regional Education Board (SREB) has recently reported on the results of comparable efforts in Kentucky, Colorado, Maryland, and Wisconsin, including reforms in the formulation of the broadest educational policies as well as changes in particular financial and business management functions. In all these changes, a number of common objectives were observed:

(1) reducing state regulatory controls over business procedures where greater effectiveness can be realized by delegating authority to university presidents and governing boards;

(2) improving effectiveness of universities by offering incentives for sound management and accountability; and

(3) improving efficiency within the higher education sector by avoiding waste, eliminating duplicative administrative processes, and adopting modern business procedures.

Since many of the specific actions implemented in other states were designed to achieve the above objectives, the SREB study identified the undelegated fiscal and business controls that most commonly impede effective management by the universities:

(1) the authority to reallocate funds among categories of appropriations during the budget year;
(2) the authority of institutions to carry funds forward from one year to the next, to expend excess income, and to invest funds;
(3) personnel policies and procedures that do not foster a dynamic university environment;
(4) the monitoring and regulation of hiring through "position control";
(5) business procedures imposed on procurement, contracting, and disposal of property;
(6) unnecessarily complicated review and approval processes in such areas as traveling and purchasing data processing equipment.

In 1979, the Legislature permitted major delegations of administrative operations to the State University System, including the construction program, purchasing, leasing of real property, disposal of surplus property, and operation of motor pools. Each university adopted rules for managing these programs, subject to specific statutory requirements. Annual audits by the State Auditor General have been performed and no adverse comments have been received by a university to date.

The most notable example of management efficiency savings resulted from the 1979 delegation of construction management to the State University System.

At that time, the Department of General Services had 16 employees conducting State University System activities for a construction program valued at $62 million. Immediately upon passage of the delegation legislation, these 16 positions were eliminated, the work being assigned instead to SUS staff members. Because no new positions were added by the SUS (a stipulation of the legislation), the delegation of authority represented a permanent savings to the state. Since the oversight of construction management was delegated to the SUS, construction savings have exceeded $28 million. The State University System construction program budget has now grown to more than $400 million annually and the support staff has increased by only two positions. All universities have benefitted from faster completion of construction projects, greater numbers of educational facilities built due to cost efficiencies, and the ability to manage the State University System construction process without duplicative efforts and ineffective business procedures imposed by external regulatory agencies of the state.

During the past year, the Board of Regents and the university presidents have been considering the issue of how to achieve maximum effectiveness within State University System operations. The State University System believes that, as the SREB study documents, universities can improve their effectiveness if relieved of regulatory constraints by external state agencies. Legislative action could grant overall authority to the State University System to administer its own activities by exempting it from controls of state regulatory agencies. Under this option, the Legislature retains accountability and control through statutory means, appropriation measures, legislative audits, and oversight reviews by appropriate committees.

The specific areas in which the State University System would achieve flexibility through the change to local agency status are:

(1) Personnel. Authority to manage the Career Service Classification and Pay Plan for all State University System personnel would improve the effectiveness of State University System personnel procedures for all nine universities and would eliminate overlapping responsibility between the Department of Administration (DOA) and the State University System. The Board of Regents currently has authority to administer the Faculty and Administrative and Professional personnel systems (details are given below under the heading "Personnel Management").

(2) Budget. Authority to manage the State University System budget, once the Legislature

provides an annual appropriation, would allow the Board of Regents and the university presidents to achieve greater effectiveness in State University System financial activities and to reform inefficient budget procedures related to transfers of funds among budget categories, salary rate controls, unexpended year-end balances, and other budget procedures (details are given below under the heading "Budget Management").

(3) Finance and Accounting. Authority to manage the overall disbursement of funds appropriated to the State University System by the Legislature would significantly improve the timeliness of payments to vendors, employees, and students at each university by allowing payments to be made at the university level rather than in the Office of the State Comptroller in Tallahassee (details are given below under the heading "Finance and Accounting Management").

(4) Other Business Procedures. Authority to manage the routine business procedures of the State University System (in such areas as purchasing, computing, communications, physical plant management, and other support functions of the universities) would provide more timely and effective support services at each of the universities (details are given below under the heading "Management of Other Business Procedures").

In order to provide a transition period for the State University System to assume the delegated authority sought, the State University System proposes that the effective date for the delegation of authority from the Office of the State Comptroller (item 3 above) be July 1, 1986. For all other areas (items 1, 2, and 4 above) the changes could become effective on July 1, 1985.

The philosophy of providing greater autonomy of operation to the State University System would be consistent with the national movement documented in the SREB study. Discussing the overall philosophy of institutional autonomy versus centralized control, the author of the SREB study observes:

> States are faced with this choice: they can try to force productivity improvements through regulation and control, or they can try to encourage efficiency by providing incentives and delegating authority and responsibility to institutional officers and board members. States that choose to regulate their institutions closely may capture savings in the short term, but they are likely to dampen the initiative, imagination, and motivation of individual managers to make longer-term improvements in productivity. (They may even find institutional managers spending their time searching for ways to circumvent state intent.) This close attention to the details of management also prevents states from focusing on the more important policy questions that affect the size, scope, and distribution of higher education services in the state.

It is essential that the State Legislature address this proposal for improvement of the effectiveness of the State University System. In order to meet the crucial educational needs of Florida in the future, the universities cannot be operated as if they were only another "state agency." Necessary authority and responsibility for the State University System must be vested in the Board of Regents and the university presidents if higher education in Florida is to achieve its mission and achieve its improvement goal.

Personnel Management

Statement of Problem: The State University System operates under the constraints of a wide range of ineffective and costly personnel procedures for Career Service employees (who account for 61 percent of SUS personnel). These procedures are dictated by the rule- and decision-making of the Department of Administration. Authority and responsibility for Career

Service employees are diffused, and decisions unique to university personnel are made by persons far removed from the programs affected by the decisions. The Board of Regents has authority for Faculty and Administrative and Professional personnel and should also administer Career Service personnel; as it stands, the Board has no control over the largest sector of employees in the System.

The following summary shows the problem areas in personnel management at the universities, the current authority for the area of concern, and the outcome of the proposed change to local agency status.

- *Process*
  - ★ CURRENT AUTHORITY
    - ◗ Outcome of change to local agency status

- *Personnel Actions*
  - ★ DEPARTMENT OF ADMINISTRATION
    - ◗ The president would have *full* authority for administration of university personnel matters subject to the rules of the Board of Regents.

- *Operating Procedures*
  - ★ DEPARTMENT OF ADMINISTRATION
    - ◗ University authority for approval of perquisites, moving expenses, and additional compensation for all employees, and a variety of actions related only to Career Service (such as classification, work hours, performance evaluations, etc.) would be subject to the rules of the Board of Regents.

- *Career Service employee management*
  - ★ DEPARTMENT OF ADMINISTRATION
    - ◗ There would be one plan for SUS employees (Faculty, Career Service, and A&P), administered by the Board of Regents.

Budget Management

Statement of Problem: The State University System is afflicted by significant management problems in the overall budget process, the result of overregulation caused by a multitude of state agency rules and procedures. The Board of Regents and the individual university presidents are severely constrained in their attempts to manage the resources provided by the Legislature.

The following list illustrates budget problem areas identified by the universities, the current authority for the particular procedure or requirement, and the outcome of the proposed change to local agency status:

- *Process*
  - ★ CURRENT AUTHORITY
    - ◗ Outcome of change to local agency status

- *Appropriations detail*
  - ★ LEGISLATURE
    - ◗ Currently the Instruction and Research (I&R) function of the E&G Budget is appropriated as a lump sum. The non-I&R *functions* of the budget should also be a lump sum but would require legislative negotiation.

- *Transfer activity*
  - ★ GOVERNOR'S BUDGET OFFICE AND BOARD OF REGENTS
    - ◗ University would have authority to transfer funds between and among lump sums and other budget categories.

- *Salary Rate Control*
  - ★ LEGISLATURE AND GOVERNOR'S BUDGET OFFICE
    - ◗ Salary rate is not controlled by a pay plan (Faculty, A&P, and Career Service). Rates for all pay plans would be combined into a single rate, and A&P and Career Service positions should be calculated as manyears, as are Faculty positions.

- *Rate loss*
  - ★ LEGISLATURE
    - ◗ The rate for positions vacant on June 30 is now reduced to the minimum of the pay grade. Local agency status would eliminate this procedure.

- *Unexpended funds at end of fiscal year*
  - ★ LEGISLATURE
    - ◗ Funds now revert. Funds would be carried forward to provide incentive for sound management.

- *Budget Process*
  - ★ GOVERNOR'S OFFICE AND BOARD OF REGENTS
    - ◗ The current legislative budget request process and format need major reductions in detail. Development of a resource allocation model would supply a large portion of the budget request; however, this would have to be negotiated with the Executive Office of the Governor.

- *Budget Process*
  - ★ LEGISLATURE
    - ◗ Auxiliary enterprise and contracts and grants budgets would be eliminated from the review and appropriation processes, subject to approval by the Board of Regents.

Finance and Accounting Management

Statement of Problem: The State University System currently experiences significant delays and additional costs in processing payments to vendors, employees, and students because all payments must be approved and processed exclusively in Tallahassee by the Office of the State Comptroller rather than locally at each university. In addition, the State University System is required to seek advance approval for a wide range of routine transactions because authority is vested only in the Office of the State Comptroller.

The following list illustrates the problem areas identified by the universities, the current authority for each procedure, and the outcome of the proposed change to local agency status:

- *Process*
  - ★ CURRENT AUTHORITY
    - ◗ Outcome of change to local agency status

- *Advance payments and deposits to vendors*
  - ★ STATE COMPTROLLER
    - ◗ The university would administer preaudit, accounting, and financial reporting operations, subject to rules adopted by the Board of Regents.

- *Nonsalary warrants*
  - ★ STATE COMPTROLLER
    - ◗ The university would administer preaudit, accounting, and financial reporting operations, subject to rules adopted by the Board of Regents.

- *Contract and grant expenditures*
  - ★ VARIOUS RULES AND LAWS
    - ◗ The university would administer preaudit, accounting, and financial reporting operations, subject to rules adopted by the Board of Regents.

- *Lease equipment approvals*
  - ★ STATE COMPTROLLER
    - ◗ The university would administer preaudit, accounting, and financial reporting operations, subject to rules adopted by the Board of Regents.

- *Travel advances to nonstate employees*
  - ★ STATE COMPTROLLER
    - ◗ The university would administer preaudit, accounting, and financial reporting operations, subject to rules adopted by the Board of Regents.

- *Benefits deductions*
  - ★ UNIVERSITY
    - ◗ The State Comptroller would provide the means to make payroll benefit deductions over a nine-month period of appointment for twelve-month coverages.

- *Nonoperating expenditures*
  - ★ STATE COMPTROLLER
    - ◗ Elimination of the requirement to obtain approval to invest funds and to process transfer and refund transactions.

- *Certification Forward*
  - ★ STATE COMPTROLLER
    - ◗ Funds would be carried forward automatically; universities must now request permission.

- *Bid tabulations (purchasing)*
  - ★ STATE COMPTROLLER
    - ◗ Elimination of requirement to submit bid tabulations with vouchers for payment.

- *Organizational memberships*
  - ★ STATE COMPTROLLER
    - ◗ Elimination of the requirement to submit an annual report of memberships.

- *Annual travel report and travel expenditures*
  - ★ STATE COMPTROLLER
    - ◗ Elimination of the requirement to submit an annual report. The university would have authority to determine when travel is "in the performance of a public purpose."

Management of Other Business Procedures

Statement of Problem: The State University System experiences significant delays and cost increases in acquiring essential equipment of facilities due to the requirement for prior external approvals, the requirement for formal bidding when the cost of acquisition is greater than $2,500, and the limitations upon contracting for construction projects.

The following list shows problem areas identified by the universities, the current authority for each procedure, and the outcome of the proposed change to local agency status:

- *Process*
  - ★ CURRENT AUTHORITY
    - ◗ Outcome of change to local agency status

- *Purchasing bid limits*
  - ★ LEGISLATURE
    - ◗ Competitive acquisition of commodities and services in excess of $2,500 is required. The Board of Regents would be authorized to set the level for competing bids as appropriate (at least $5,000).

- *Communications equipment*
  - ★ LEGISLATURE
    - ◗ The Division of Communications has authority to approve *all* acquisitions of communications equipment. The Board of Regents would be authorized to establish rules governing the acquisition of communications equipment.

- *Minor construction projects*
  - ★ LEGISLATURE
    - ◗ The Board of Regents would be authorized to set the dollar limits for competitive bids on minor construction projects.

- *Major construction projects*
  - ★ LEGISLATURE
    - ◗ BOR approval is required for all projects over $500,000. Authority should be delegated to the university president to approve *all* contracts for projects that have been approved by the BOR and funded by the Legislature, provided that the bid is within the approved project budget.

Appendix H

A Perspective on Private Giving in American Higher Education

THE origins of American higher education are deeply rooted in a private-public partnership. The separation of church and state fostered a parallel separation of higher education and the state, since many of the early colonial colleges were founded by religious groups. Diversification, decentralization, and local autonomy are other distinguishing characteristics of American higher education.

The founding of Harvard College in 1636 marks the beginning of higher education in America. During the subsequent two centuries, there was no real distinction between public and private colleges. The colonial college, chartered by the state and therefore subject to whatever governmental regulations existed, was viewed as a public trust more than are modern colleges, either public or private. College boards of trustees often included public officials, either by specific appointment or ex officio. These institutions were expected to balance their budgets each year without tax assistance. When special needs arose, however, the colleges appealed to the legislatures for financial assistance.

After 1787, the colonial system was undermined by sectarian rivalries that eventually led to the barring of tax support from sectarian institutions. The Dartmouth College case, which barred legislative intervention in matters related to private colleges, led to a new legislative attitude about the public investment of large sums in colleges that the Legislature did not ultimately control. This and other developments led many legislatures to establish public colleges as a way of showing their displeasure with private colleges and the courts. The result, some suggest, was that new public entities were created that were different from their private counterparts in only one way: they were directly under public control.

Before the Civil War, interest developed in an alternative to the existing collegial system, which was designed to educate only the most privileged. In 1862, the first Morrill Act was passed, and it broadened both access to and the general scope of American higher education. New public institutions (land grant colleges and universities) were created, providing a counterbalance to the tradition of elite education. They quickly introduced professional and terminal occupational curricula for undergraduates, which placed less emphasis on the liberal arts. A clear distinction between public and private colleges became discernible: the new public institutions were designing programs that would win the support of state legislators because they met "manpower needs" while the

private institutions provided the liberal arts education demanded by a rapidly growing upper class. During this period, most students receiving higher education were enrolled in private institutions. In 1879, for example, of the 52,286 students enrolled in colleges in the United States, the vast majority were in the private sector.

By the beginning of World War I, the situation had changed. Enrollments in public universities had grown larger than those in the private institutions in every part of the country except the Northeast. This resulted from increasing business and farming support for the new land grant institutions.

By 1950, only half of all students enrolled in higher education were in private schools, although 66 percent of all institutions of higher learning in the same year were private. By 1974, only 22 percent of all students were in the private sector.

During the decade of the seventies, the private sector's rate of decline was somewhat reduced by significant increases in state and federal assistance to private institutions. This action on the part of many states was in keeping with a historical tradition that harked back to the colonial period.

For the first three centuries of American higher education, private philanthropy for public institutions was minimal, while it remained an essential mainstay for the private institutions. During this same time, it was more the exception than the rule when a public university received a large gift from a wealthy alumnus or his estate. It is fair to say that the administrators of particularly large state universities allocated minimal resources to the procurement of private support.

It may seem that the reality of shifting market shares between the private and public sectors would have caused the public colleges to become more aggressive in raising private funds. It was not until the late sixties and the seventies, however, that public colleges began to focus attention and resources on this area. Some suggest this was due to a downturn in the world and national economies, which, as predicted, significantly affected higher education and the prospects for its graduates. Others believe it was the result of a combination of inflation and tax limitations that prevented legislatures from keeping up with the growing costs of funding universities in a rapidly changing world. Moreover, the social turmoil of the sixties and early seventies soured some members of the public on higher education and its ability to keep its house in order. State legislatures found that their appropriations to higher education had to diminish or, at best, level off because of competing social priorities. But, at the same time, the unprecedented growth of higher education in the sixties, particularly in the public sector, created the need for more state support. Given these circumstances, public colleges were forced to look to the private sector to find their "margin of excellence." Some universities moved aggressively in this regard. For example, in 1978 the University of California at Berkeley had twenty-eight staff members working in the central office for development and fund raising. In 1984, it employed seventy-seven persons in that office in addition to others working in the development areas of the various schools and colleges within the university.

It is incumbent upon the State University System of Florida and its constituent institutions to make certain that their offices are sufficiently staffed to cultivate the potential donors to public higher education in the state. Without adequate manpower, Florida will not be able to compete.

Appendix I

Some Facts and Figures on Private Support to State Universities

Top State Universities Reporting Total Private Support in Fiscal Year 1982–83 (rounded to nearest million)

1.	University of Minnesota	$63,000,000
2.	University of Michigan	$50,000,000
3.	University of Illinois	$49,000,000
4.	Texas A&M University	$47,000,000
5.	University of California at Los Angeles	$43,000,000
6.	University of Wisconsin	$43,000,000
7.	University of Texas	$33,000,000
8.	University of Washington	$30,000,000
9.	University of Virginia	$29,000,000
10.	University of Florida	$29,000,000

Top State University Systems Reporting Total Private Support in Fiscal Year 1982–83 (rounded to nearest million)

1.	University of California System	$136,000,000
2.	University of Texas System	$108,000,000
	Five of the nine SUS Florida schools (including UCF, UWF, USF, FSU, and UF) reported a total of	$41,000,000

This report by the Regents' Study Commission on Funding for Excellence has been financed by private citizens interested in the welfare of higher education in the State of Florida.

Copies of the Commission's report may be requested from the Study Commission on Funding for Excellence, 210 Collins Building, Tallahassee, Florida 32301.

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